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C O N F I D E N T I A L BAKU 000131

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TAGS: ECON EFIN PGOV PREL EAID AMGT AJ

SUBJECT: GOAJ RAISES SALARIES AND MINIMUM WAGE TO COUNTER
EFFECTS OF RECENT PRICE INCREASES

REF: (A) BAKU 89 (B) BAKU 39 (C) BAKU 125

Classified By: DCM JASON HYLAND PER REASONS 1.4 (B,D)

¶1. (U) At a January 22 meeting with government ministers, President Aliyev publicly expressed his support for the recent increase in fuel prices and public utility tariffs (refs a and b). The President also announced new government measures, including salary increases, in order to minimize the negative social and economic effect of the price increases.

¶2. (U) As of February 1, the Government of Azerbaijan will increase the minimum salary and the pension base from 40 manats to 50 manats (USD 57.3) per month. Also, the GOAJ will raise salaries by more than 50 percent for government employees working in the social security, education, healthcare, culture, sport, and scientific research areas. President Aliyev ordered a 25 percent salary increase for government employees in certain critical areas, including the Ministry of Emergency Situations and the national public utilities. (NOTE: These government employees have already received multiple salary increases during 2006.)

¶3. (U) Given the 2006 increase in the consumer price index, President Aliyev also instructed the State Social Protection fund to conduct partial indexation of pension accounts and social insurance accounts. Aiming at strengthening the social protection network, President Aliyev has also issued a decree to increase social allowances for disadvantaged segments of the population, including senior citizens, the disabled and families of deceased war veterans.

¶4. (U) The Trade Union Confederation announced that the cost of the national basket of goods had risen by 64 percent and that inflationary pressures would continue. Currently, the cost of the minimum basket of goods in Azerbaijan is estimated at 64 manats (USD 73.5), while the minimum wage is only 50 manats (USD 57).

¶5. (C) COMMENT: The President's decision to raise salaries and pensions will not cover the real economic costs and loss of income due to the increase in prices. The price increase continues to ripple through the entire economy causing the prices of almost all other products to rise sharply. (The price of domestic beer, for example, recently increased by more than 11 percent.) While the government's decision to raise salaries and pensions appears to have quelled neither the continuing debate in the press nor the general public's anxiety about the price increases, it is unclear whether the opposition's call for protests over the weekend (ref c) will garner widespread support. We will monitor the protests and report developments septel.

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